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Preparing family meal, India

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To report and interpret world agricultural developments.

Our Best Dollar Customers

A lot has been written and said in the last 4 years about the special programs—barter, donations, sales for foreign currencies—that enable American agriculture to boost its exports. True, we have these programs, but they are regarded as temporary and transitional. The major part of U.S. agricultural exports still moves under sales for dollars.

The long range outlook for expanding these dollar sales is good. Our best hope for doing so lies in the general expansion in world economic activity, for countries with active economies are our best cash customers.

In January we began a series of articles on the big dollar buyers of American farm products. The first article was on Venezuela and the purchases made with its vast oil wealth.

In this issue we are continuing the series on dollar markets abroad with an article on the Netherlands —whose people, per capita, buy more of our farm products than those of any other nation. Later we will report on dollar purchases made by other substantial buyers, including West Germany, the United Kingdom, and Canada.

Cover Photograph

Indian woman and her two daughters prepare meal of chappati—a wheat pancake—while waiting return of family from the fields. Story on inadequacy of Asian diets appears on page 3.

In This Issue

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Village women queue up at a milk cooperative near Bombay to bring in the morning's yield. Below, in Thai villages when guests are expected a huge cauldron of rice is always cooked.

Diets Not Adequate In Most of Asia

By ROBERT E. MARX
Far East Analysis Branch
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Photographs courtesy of FAO

PEOPLE IN only three countries in the Far East are getting enough to eat—those in nine other countries are either underfed or living on marginal diets, according to food balance sheets compiled by the Foreign Agricultural Service. (See back cover.)

Malaya, Japan, and Taiwan are the three countries with a daily per capita food consumption either above or very close to the 2,300-calorie standard suggested by the Food and Agriculture Organization of the United Nations for the people of South Asia and the Far East.

Malaya, with 2,555 calories, leads the list. Its income level is the highest in Asia. Also, this country earns large quantities of foreign exchange through its rubber and tin. This enables it to maintain a favorable balance of trade and puts it in a unique position among Asian countries of having enough foreign exchange to import those foods which it wants and needs. Singapore also contributes to the high food consumption in Malaya. The entrepôt nature of this trading colony permits plentiful supplies of food; further, the large foreign element of the colony's population tends to boost average per capita consumption.

Japan ranks second, with a consumption of 2,295 calories per day. Japan is the only highly industrialized country in the Far East, and the average per capita income is high by Asian standards.

In Taiwan, the third of the up-to-standard countries, the people eat just about as well quantitatively—2,285 calories per capita—as do the Japanese. This is rather surprising in view of the great influx of refugees from Communist China only a few years ago. Taiwan's agricultural production has not increased greatly but a much higher proportion of the food produced is now retained on the island instead of being exported. Also, a considerable amount of food is imported annually under various government programs. Another factor is the exceptionally large military force on

United Nations survey team helps Thai family estimate the food value of its daily diet. Above, UN home economist shows Ceylon students new ways of preparing starchy foods.

Taiwan. This force is fed well and that in turn has undoubtedly been significant in raising the national average consumption level.

Low-Calorie Countries

Of the nine countries in which consumption is less than 2,200 calories a day, Mainland China appears to be the poorest fed. Pakistan is slightly better off. These two are the only ones falling below the 2,000-calorie level.

Although data from Communist China are extremely sketchy, it is evident that this country is having a struggle with its food supplies. The food balance shows an average consumption of only 1,830 calories per capita per day—by far the lowest figure of all the Asian countries studied. China's tradition of periodic floods and famines is well known. Moreover it is apparent that the Communists have neither been able to halt these natural calamities nor have they attained the increases in agricultural production planned — and sometimes claimed. The food situation is also aggravated by the Communist Government's policy of rationing food as a means of getting agricultural products to export in order to finance industrial development. Meanwhile, the country's huge population, now estimated at well over 600 million, continues to mushroom.

Food consumption in Pakistan is only slightly higher than it is in Communist China—1,980 calories a day. Pakistan's young government had not expected to face food problems, as the area was a surplus producer. But both production and yields fell off—of food grains especially—and at the same time the population increased rapidly. To prevent starvation Pakistan must import nearly 1 million tons of food annually, and this puts a very serious strain on its limited foreign exchange resources.

Burma, Ceylon, India, Indonesia, the Philippines, South Korea, and Thailand consume between 2,000 and 2,200 calories a day. While this is lower than the standard requirement, it does not indicate critical shortages. However, Ceylon, India, Indonesia, and South Korea must import large quantities of food in order to prevent them.

Poor Nutrition

More serious than the calorie deficiencies is the nutritional inadequacy of the diets of the 1.4 billion people in 12 Asian countries. This is because of the preponderance of cereal grains and starchy foods, which together account for almost three-fourths of the total calories in the food eaten daily. In the higher-income countries of Western Europe, cereals and starchy foods account for between 30 and 50 percent of the calories; in the United States, only about 25 percent.

There is not a single country in the Far East in which rice is not the most important single item in the entire diet. The ratio ranges from 72-73 percent in Burma and Thailand down to 34 percent in India. It is only natural that the Burmese and Thais should be the heaviest rice eaters as each year these two countries produce rice surpluses and are the world's leading rice exporters. Consequently, average per capita consumption is 330 pounds of milled rice per year, or almost a pound a day.

In India, the low average consumption of rice reflects limited availability. India's agriculture, however, turns out great quantities of other cereal grains for human consumption; and within large areas of the country rural people live on these cereals and eat no rice at all. Domestic production plus imported food grains provide each of the 397 million Indians with almost 1,300 calories per day from all cereals.

Protective Foods

Conspicuously small in the diets of most Asians are the "protective" foods —vegetables, fruits, animal proteins. Daily per capita consumption of these foods ranges from lows of 13 calories in India and 50 calories in Pakistan and Indonesia to a high of 187 calories in Malaya. The average for the 12 countries, including India where some

(Continued on page 22)

Salt being loaded on a ship in Dairen Harbor for Japan. Currently, Red China has cancelled its Japanese trade.

Communist China And the Japanese Farm Market

By RILEY H. KIRBY
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After this article went to press, Communist China notified Japan that it was suspending all trade between the two countries. This action, timed only 12 days before the May 22 elections in Japan, is regarded in some circles as a political move and is another clear example of the uncertainties involved in attempting to trade with Communist China.—ED.

ALTHOUGH THE Red China Government, on April 13, repudiated the $98 million commercial agreement that Japanese and Chinese businessmen had signed a month earlier, indications are that this was a political move and that it will fail to halt the growing trade between the two countries.

Negotiations for this agreement—the fourth in a series of private commercial pacts—had been prolonged and occasionally stalled, apparently because of Chinese Communist attempts to gain political concessions from the Japanese. In repudiating the agreement, the Chinese Government charged the Japanese Government with taking "a hostile attitude toward the Chinese people" and referred to Japan's refusal to permit the Chinese Trade Mission to fly the Red China flag over its headquarters in Tokyo.

However, Japan's trade with Communist China does not seem to be related too closely to trade agreements. Though trade grew substantially under the three previous agreements, it never fulfilled the terms of the pacts. Yet, in 1957 when there was no agreement, trade between the two countries continued at a fairly high level.

Moreover, on both sides there are economic pressures for trade that seem to override these political considerations. Communist China is embarking on a new five-year plan and will need large supplies of finished and semi-finished materials. And Japan is the nearest of all the countries that could supply these goods. Japan, for its part, sees in Communist China an opportunity to expand its exports and to obtain imports without spending scarce dollars. And while many Japanese are well aware of possible dangers in greater trade with the mainland, these attractions are difficult to ignore.

Background of the Trade

For many years before the war, China was one of Japan's major trading partners. During the early and middle 1930's China accounted for one-eighth of Japan's total imports and one-fourth of its exports. But loss of Japanese political and military control on the mainland and the disruption of Japanese industry broke up this relationship. Recovery in the China trade was halted by political developments on the mainland and by the Korean outbreak. It has since been held back by the fact that Japan and many other Free World nations agreed to restrict their trade with Communist countries. Thus, even at the postwar high point in 1956, the mainland accounted for only 2.6 percent of Japan's total trade.

A look at the agricultural part of this trade reveals a similar trend. In prewar years China was Japan's largest single supplier of agricultural prod-

ucts. Soybeans, dry beans, vegetable oils and oilseeds, cotton, hard fibers, and animal feeds were the most important items. From the United States, Japan bought an average of 1.4 million bales of cotton a year, but little of other farm products.

In 1951-55, however, Japan imported from all sources an average of $1.3 billion worth of competitive farm products (the kinds produced and exported by the United States). China supplied about 2 percent of this amount and the United States 33 percent, compared to 18 percent and 15 percent, respectively, before the war. In the interim, competitive agricultural imports from China declined to one-eighth of their prewar volume, while such imports from the United States increased nearly two-thirds.

Soybeans are Japan's main import from China. Right, soybeans stored at port in Shanghai; left, inspection of soybeans.

Today's Trade

Japan imports substantially less cotton from the United States than it did before the war, but cotton is still the largest single agricultural item in the trade. Today, however, several other commodities have become important too. Japan has bought wheat, barley, corn, soybeans, tallow, and hides and skins from the United States in increasing volume, with a combined average annual value exceeding $200 million. In some years U. S. rice and tobacco have also been imported in significant quantities.

About three-fourths of Japan's imports from Mainland China today consist of agricultural products. Rice and soybeans make up about 70 percent of this amount. Other significant commodities are beans and peas, vegetable oils and oilseeds, cashmere, bristles, and hides and skins. The remaining shipments consist almost entirely of industrial raw materials.

Chemical fertilizers rank as the largest export from Japan to Communist China. Other chemicals are also important. In addition, Japan sends textiles and textile raw materials, machinery, cement, and iron and steel. Under the private trade agreements between the two countries, the kinds of commodities Japan imports are directly related to the kinds and quantities it exports. The agreements have classified into three categories the goods to be exchanged, according to their relative importance to the purchasing country. Trade has been conducted mainly on a barter basis, with commodities of the same classification exchanged for one another.

For example, Category A included commodities of highest priority, such as iron ore, coal, and soybeans on the Chinese export list and copper ingot and steel plates on the Japanese export list. But most of the commodities on the Japanese Category A list were under embargo until the controls were relaxed in July 1957. Until then, Japan had permitted only small quantities of embargoed goods to move to the mainland—and these only under established procedures for exceptions. Thus, with the barter possibilities severely limited, Japan had to pay cash for most of its imports of soybeans and other Category A commodities from China.

Under the March 5 private commercial agreement between the countries, trade items were again classified, this time into two categories. Agricultural commodities that China proposed to make available included soybeans, rice, hog bristles, dry beans, spices, hides, and tung oil.

For certain bulky materials of relatively low value—such as coal, salt, soybeans, and iron ore—transportation cost is a significant item. Mainland China, being close by, can offer Japan lower delivered prices than can far-off sources like the United States. The Communist Chinese have proved to be hard bargainers, however. Frequently their prices are shaded enough to be attractive to the Japanese and yet do not give the full benefit of the difference in transportation cost. The delivered prices of U. S. commodities, adjusted for quality differences, tend to set a limit to the prices China may charge.

Outlook

Japan's dollar holding are at a low level, and the outlook for its earning more dollars is clouded by the sentiment for import restrictions in the

United States. This is a primary consideration for Japan in determining sources for imports of both agricultural and nonagricultural commodities.

Of the farm products that both the United States and China want to sell Japan, *soybeans* are most important. During the past 3 years Japan's soybean imports have averaged nearly 800,000 tons—more than double the average for 1951-54. And Communist China's share of these imports has grown from 5 percent to 25 percent. Indications are that competition will become even stiffer in the future.

Communist China sold about 100,000 metric tons of *rice* to Japan annually during 1954-56. None moved in 1957, but China is expected to be in the picture again in 1958. The United States supplied between 200,000 tons annually from 1952 through 1955, but practically none after that. Japan's own rice production has risen considerably in each of the past 3 years, and the current level is regarded by many as a new normal based on improved technology. Thus Japan is expected to need substantially less imported rice in the next few years than its 1951-55 average imports of 1.1 million tons. Prospects for the United States to share in this reduced market are none too bright. Japan will probably be inclined to buy rice from Mainland China in exchange for fertilizers, other chemicals, machinery, artificial fibers, and other products.

Japan has been importing an increasing quantity of *hides and skins* from the mainland—close to $3 million in 1957. Still, this is only a small part of Japan's total hides and skins imports, and the United States continues to supply 65 to 70 percent. Japan may turn to nondollar sources, but other countries would be likely to gain as much as Communist China from such a shift.

There are other farm products—such as dry beans, oilseeds, and vegetable oils—that China may supply to Japan in greater quantities. These, however, are not among principal U. S. agricultural exports to Japan.

Supplies available for export from Communist China depend on political as much as on economic considerations. China has set goals for increased farm output of several commodities, including rice, soybeans, pulses, and livestock. Production of certain commodities may increase rapidly, but China will have difficulty increasing its overall output faster than current population growth. And since its trade has been strongly oriented toward the Soviet Union and other Communist areas, supplies available for Japan tend to be what is left over. They are not, however, necessarily fixed; indeed, they are likely to depend on the trading arrangements that can be negotiated with Japan. But some argue that in the years ahead China will need more of its own raw materials to supply its own expanding industries. This will limit export availabilities. Even if it does not, many Japanese feel that they would be ill advised to become too dependent on Communist China for basic raw materials.

The future level of Japan's agricultural imports from Mainland China will depend on several factors besides the political ones that have recently been in the foreground. One is the fact that, as Communist authorities have made clear, China does not intend to buy more from Japan than it can sell there. This explains why many Japanese producers and traders who are anxious to export to China have shown a strong interest in promoting imports from that country. They feel that the mainland is an important key to the general expansion of Japanese exports, especially in view of the increasing resistance to Japanese goods in some other countries. And they argue that since various Western European countries are actively promoting trade with Communist China, Japan must do likewise.

Japan's policy on the China trade will continue to be strongly influenced by the reception accorded to Japanese exports in Free World markets. If Japan can enjoy a reasonable expansion of its exports to non-Communist countries over the years ahead, the pressure for increased trade with Communist China will be likely to ease. But to the extent that these countries maintain or heighten barriers to imports of Japanese goods, the Government of Japan will find it more and more difficult to resist this pressure.

JAPAN'S IMPORTS OF CHIEF COMPETITIVE AGRICULTURAL ITEMS [1] IN THE CHINA TRADE AVERAGE 1951-55

Commodity	Total	United States	China
	Mil. dol.	*Mil. dol.*	*Mil. dol.*
Rice	193.3	42.3	6.5
Soybeans	58.2	47.9	7.8
Oil seeds (excl. soybeans)	31.6	1.7	4.2
Beans and peas	6.8	.1	2.4
Vegetable oils	5.6	.9	1.2
Bristles	1.1	(2)	.7
Hard and bast fibers	22.0	.2	.6
Subtotal	318.5	93.3	23.5
Other	1,002.6	340.3	4.2
Total	1,321.1	433.6	27.7

[1] Commodities of kinds that U.S. produces and exports. [2] Less than $50,000.

TOTAL JAPANESE TRADE 1950-57

Year	Imports: All sources	Imports: China	Imports: U.S.
	Mil. dol.	*Mil. dol.*	*Mil. dol.*
1950	974	39	418
1951	1,995	22	695
1952	2,028	15	768
1953	2,410	30	758
1954	2,399	41	847
1955	2,471	81	772
1956	3,230	84	1,065
1957	4,284	80	1,618

Year	Exports: All destinations	Exports: China	Exports: U.S.
	Mil. dol.	*Mil. dol.*	*Mil. dol.*
1950	820	20	179
1951	1,355	6	185
1952	1,273	1	229
1953	1,275	5	227
1954	1,629	19	277
1955	2,011	29	449
1956	2,501	67	543
1957	2,858	60	597

JAPAN'S IMPORTS OF SELECTED AGRIICULTURAL ITEMS FROM CHINA 1950-57

Year	Rice	Soybeans	Oilseeds	Beans and peas
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
1950	19	108	23	1
1951	7	6	14	2
1952	0	1	24	10
1953	0	24	42	18
1954	75	46	11	20
1955	133	204	26	43
1956	113	166	18	30
1957	(1)	200	6	56

Year	Vegetable oils	Bristles	Hard and bast fibers	Hides and skins
	1,000 metric tons	*Metric tons*	*Million pounds*	*1,000 metric tons*
1950	2	112	13	1
1951	2	94	6	1
1952	1	66	1	(1)
1953	3	113	2	(1)
1954	3	169	1	(1)
1955	3	336	(2)	(1)
1956	4	120	2	3
1957	(3)	(3)	(3)	5

[1] Less than 500. [2] Less than 500,000. [3] Not available.

Courtesy Netherlands Embassy

Dutch worker stuffs curd into Gouda cheese vats. Below, soaking Edam cheese in salt water. This year world cheese stocks are up and prices down.

Courtesy Danish Embassy

Bottling milk in large dairy near Copenhagen. Denmark's milk-butter output rose in 1957, but butter exports fell.

U.S. Dairy Exports Face Sharp Downward Trend

COMMERCIAL EXPORTS of U. S. dairy products will meet stiff competition this year because world supplies of milk and dairy products are increasing faster than world demand.

This excess of supplies over demand is expected to be larger for three major reasons: traditional selling countries will continue to expand output; intermittent selling countries will dispose of increasing surpluses through subsidized exports; and milk deficit countries will further expand home production.

The three U. S. dairy products that will be hardest to sell abroad this year will be butter, cheese, and evaporated milk. Dry milk will face difficulties, too. Relatively high U. S. prices for evaporated and dry whole milk will enable competing countries to sell in traditional U. S. markets in the Western Hemisphere and the Philippines.

World Production

The world produced 2 percent more milk in 1957 than in 1956—the previous record year. U. S. output was up for the fifth straight year, but the largest expansion took place in Europe, where pastures were unusually good. A large share of Europe's increase—which ranged as high as 5 percent—was in nontraditional exporting countries.

More dairy products naturally followed bigger milk production, and consumption did not expand enough to absorb them. Although many of the world's people do not get adequate amounts of dairy products in their diets they are economically unable to acquire more.

The major crisis was in the butter and Cheddar cheese markets. World stocks were up and prices fell considerably. The markets are not expected to improve greatly this year. A number of manufacturers have been diverting milk from butter and cheese to evaporated and dry whole milk; more of this type of diversion is expected. But prices for these products are now declining and will probably drop further as production expands.

The United Kingdom Market

The United Kingdom is the world's most important dairy importer and the yardstick by which the world market is measured. It is the principal market for New Zealand butter and cheese and a major outlet for Danish and Dutch butter. During the latter part of 1957 butter and cheese prices in the United Kingdom fell sharply. In April 1958, New Zealand butter was quoted at 27½ cents a pound, wholesale, the lowest price since World War II and 12½ cents below the 1957 high. New Zealand Cheddar cheese is down about 40 percent from a year ago. Increased domestic production of milk and dairy products and imports from new exporting countries, such as Finland, Ireland, and Austria, have contributed to the weakening of the U. K. market. No great improvement is in sight for 1958.

Major Exporting Countries

Increased production in major exporting countries contributed to the excess of world supplies. Production of milk and dairy products in 1957 was up in all major exporting areas except Australia, which suffered severe drought. Prices were down, exports fell off, and stocks rose.

New Zealand, which depends heavily on the U. K. market for butter and cheese sales, was forced to seek additional foreign outlets. The price

Butter Ferry

Economy-minded Swedish housewives have been ferrying across the Oresund to buy butter in Denmark because Danish butter prices are much lower than those in Sweden.

The depressed prices in Denmark, brought on by lowered prices in the United Kingdom, have caused Danish creameries to unload large stocks of butter on the domestic market.

Swedish buyers were quick to take advantage of the bargain prices and the influx of butter purchasers became so great that Swedish farmers protested. To help curb the practice the Swedish Government reduced the quantity of food which travelers may bring back without import charges from 22 pounds per person to 11 pounds.

Buying butter in a French laiterie. France exports dairy products only intermittently, but its 1957 heavily subsidized exports made inroads in world markets.

of New Zealand butter in the U. K. market is about 15 cents under New Zealand's guaranteed price. The difference is made up from an industry-maintained reserve fund, which is likely to be exhausted by mid-1958. When this happens the government will have to absorb the loss.

Denmark's milk and butter production rose 5 percent in 1957 and dry whole milk output was up sharply. Butter exports declined slightly leaving larger stocks on hand. By February 1958 the price of butter to creameries was the lowest since 1948—29.5 cents a pound. Previously it was held at 36.1 cents by withholding supplies from the market. This operation was financed by the industry until its funds were exhausted. Milk production may level off this year because of the lower prices, but it will not decrease.

In the Netherlands, where milk production was up about 1 percent last year, output of butter and condensed milk dropped slightly, but dry whole and evaporated milk and cheese increased substantially. Exports did not follow the pattern of production; evaporated milk and cheese fell off, while dry whole milk was up and butter increased.

Canada produced a little more milk in 1957 than in 1956. Butter consumption exceeded production, and stocks declined. Cheese exports—mainly to the United Kingdom — were down sharply because of the low London prices compared with Canadian support prices. Evaporated and dry whole milk exports were also down. High support prices for nonfat dry milk have resulted in government-owned stocks totaling 30 million pounds. These will be offered for foreign donations and sold abroad at reduced prices for use as livestock feed.

Nontraditional Exporters

Another contribution to the large world supplies came from the intermittent exporting countries. A number of these countries have had increased output and exportable surpluses. Exports from 3 — Finland, France, and Ireland—ranged from 2 to 20 times more in 1957 than in the previous year. These heavily subsidized exports have made inroads in markets formerly served by traditional exporting countries. Subsidies may be reduced somewhat this year, but the outlook is for continued heavy exports at a substantial subsidy.

Milk Deficit Countries

Even deficit milk producing countries have had a hand in creating the imbalance of supply and demand. Countries that have been short of milk in the past have been making strong efforts to increase home production. The United Kingdom, Italy, Greece, Belgium, Cuba, and Mexico have suc-

Courtesy New Zealand Embassy

New Zealand worker handles one ton of butter. Below, packaging butter in Denmark, a leading dairy exporter.

Courtesy Danish Embassy

ceeded in expanding output sharply from prewar levels, in contrast to the four major exporters, which are now producing only slightly more than before the war.

The Philippines is reducing its dependence on imports by manufacturing "filled" evaporated milk from locally produced coconut oil and imported nonfat dry milk.

Gains in consumption in milk deficit countries have not kept pace with added world output. The net effect has been to lower world demand for U. S. surplus dairy products.

Outlook

The U. S. export picture for 1958 is not hopeful. Competition will increase as new and old exporters vie for markets. Efforts to dispose of increased supplies and large carryover stocks will keep prices down. U. S. commercial exports will face the following obstacles:

- World prices of butter and cheese have declined to a point well below Commodity Credit Corporation export prices. Since the United States has not had an established market for these items, CCC export sales for dollars will decline appreciably.
- U. S. donation programs and sales for restricted use have introduced U. S. dairy products to many potential overseas customers, but these customers are not yet economically able to buy products for dollars.
- The United States has pioneered in developing markets for evaporated and dry whole milk in the Western Hemisphere and the Philippines. Exports to these countries were on a straight commercial basis until recent years, when sales to the Philippines were financed chiefly by ICA. Because of the relatively high U. S. price for evaporated milk compared with foreign prices, ICA has sharply reduced financing this year.
- Because of low butter and cheese prices in recent months, some European countries have been diverting milk formerly used for these, to evaporated and dry whole milk for export. These exports are making inroads into traditional U. S. markets. Further diversion can be expected in 1958 and U. S. commercial exports at full domestic prices will probably decline sharply.

Japan's Farm Imports From U. S. Mount As Its Trade Sets Record

Japan's trade in world markets reached a postwar high in 1957. In brief, this was the picture.

- Exports reached $2,858 million, up 14 percent from 1956. Exports to the United States expanded less rapidly than to other countries.
- Imports of all commodities were valued at $4,284 million, up one-third from 1956. Imports from the United States increased more rapidly than from other countries, with the U.S. share of total imports moving from 33 percent in 1956 to 38 percent last year.
- The deficit in merchandise trade with all countries reached $1.4 billion —nearly double the 1956 imbalance. The deficit with the United States also doubled.

Preliminary data indicate that most of the increase in imports consisted of nonagricultural goods. Agricultural imports increased only $40 million, or 2.6 percent, and constituted only 37 percent of total imports in 1957 as compared with 48 percent in 1956 and an average of 62 percent during 1951-55.

Japan's "Big Nine" imports—wheat, rice, barley, corn, tobacco, hides and skins, soybean, cotton, and tallow—from all sources declined 8 percent from 1956. The total—$878 million—was the lowest since 1950; and even increased imports of corn, soybeans, and tallow did not offset the large declines in rice and cotton and the smaller decreases in the remaining commodities.

The United States, however, was not hit by this drop in Japan's "Big Nine" imports. (In past years these commodities have accounted for 95 percent of Japan's agricultural imports from the United States.) Imports of these commodities from the United States increased 17 percent while those from all other sources declined 25 percent. As a result, the U.S. share of Japan's "Big Nine" market increased from 40 percent in 1956 to 51 percent in 1957.

Not all commodities in this group gained by this increase. Imports of U.S. barley, rice, tobacco, and hides and skins declined by $24 million. But larger imports of other items, particularly cotton and wheat, resulted in a net increase of $63 million in the "Big Nine" imports from the United States.

Agricultural imports other than the "Big Nine" increased 20 percent in 1957. Since the United States normally supplies less than 5 percent of these products, other countries enjoyed most of the benefit from the expansion of these imports.

JAPAN'S TRADE WITH THE UNITED STATES AND OTHER COUNTRIES

Trade	1956			1957 [1]		
	Total	United States	Other countries	Total	United States	Other countries
	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.
Total exports	2,501	543	1,957	2,858	597	2,261
Total imports	3,230	1,064	2,165	4,284	1,618	2,666
Net imports	729	521	208	1,426	1,021	404
Nonagricultural imports	1,688	651	1,036	2,702	[2]	[2]
Agricultural imports	1,542	413	1,129	1,582	[2]	[2]
"Big Nine" [3]	958	385	573	878	449	429
All other	584	28	556	704	[2]	[2]

[1] Preliminary.

[2] Not available.

[3] The following nine items constitute 95 percent of Japan's agricultural imports from the United States: wheat, rice, barley, corn, tobacco, hides and skins, soybeans, cotton, and tallow.

Dollar Markets ABROAD

THE NETHERLANDS

By GWYNN GARNETT
Administrator
Foreign Agricultural Service

THE NETHERLANDS, with a population of barely 11 million, has long ranked high among importers of U. S. agricultural products. Some larger countries—the United Kingdom, Germany, Japan, and Canada—surpass the Netherlands in total purchases of our farm products, but none of them buy as much per person as do the Dutch. Total Dutch purchases of U. S. farm products reached a high of $273 million in 1956 or $25 per person.

The value of U. S. farm products exported to the Netherlands has been around $250 million in recent years. Our takings of agricultural products from the Netherlands, on the other hand, have come to only one-fourth of this amount, or around $60-$70 million. For nonagricultural products the relationship is somewhat similar: the Netherlands buys about three times as much from the United States as it sells here. (These deficits are of course counterbalanced by Dutch dollar earnings from other sources.)

The progressive character of the Dutch economy in the 1950's and a high level of economic activity in the country's far-flung export markets help make this level and pattern of trade possible. More specific reasons also account for our large volume of farm exports to the Netherlands. The United States can supply products that are not grown at all in the Netherlands or grown only on a very limited scale. This is true of cotton, tobacco, and oranges. Also, wheat is not produced in sufficient quantity. These commodities are wanted for consumption by the Dutch themselves.

Furthermore, the Netherlands, with its extensive trade and shipping facilities, appears as the importer of large quantities of many products which are sent on to other destinations, directly or after transshipment.

Even more important is the fact that the Netherlands is a large importer of agricultural materials for processing and export. Fats and oils and meats may be mentioned. The linseed oil that is produced from U.S. flaxseed is largely exported. About one-third of the soybean oil extracted from American soybeans is also sold abroad by the Dutch, though the oilcake that results from the extraction process is used domestically as livestock feed. Imported meats are processed into various meat products, including canned meats, and a substantial part of these are exported too.

A good share of the re-export trade comes from the conversion on Dutch farms of U. S. feed grains into livestock products for consumption in other countries. According to a Dutch study of the feed situation in 1955-56, the United States supplied well over one-third of all concentrates fed to livestock in the Netherlands in that year and over one-half of all imported concentrates. The quantities of U. S. feeds involved were very large: over a million tons of feed grains, about 300,000 tons oilcake (including cake produced from U. S. seed crushed in the Netherlands), and over 100,000 tons of milling offals.

In calculating the volume of livestock products obtained from U. S. feeds, the Dutch study estimates that about one-half of these feedstuffs go to hogs and nearly one-quarter each to cows and chickens. It is assumed that 1 pound of concentrates produces 2 eggs, or ¼ pound of butter, or ⅛ pound of milk. On the basis of these assumptions, in 1955-56 no less than 380 million pounds of pork, 1,464 million eggs, and 1.5 billion pounds of milk (equivalent to 150 million pounds of cheese) were produced in the Netherlands from U. S. feedstuffs. The picture that emerges is indicated in the table on page 22.

Interpreted in percentages this table shows that over 60 percent of all Dutch egg exports and nearly 75 percent of

(Continued on page 22)

Photos by Wallace Dudney

Sugarcane is hoisted from cart to freight car (above). Cuban worker bags sugar (right). Sugar makes up 80 percent of Cuba's exports; and from it and its products comes about a third of Cuba's national income.

Sugar Helps Cuba To Eat Well

By CONSTANCE H. FARNWORTH
Latin American Analysis Branch
Foreign Agricultural Service

SUGAR, more than any other single commodity, makes it possible for the Cubans to eat well. Almost a fourth of Cuba's workers earn pesos during the grinding season, to buy food and other needs, in employment provided by the sugar industry. About a third of the Cuban national income is derived from sugar and its byproducts, which also account for about four-fifths of the country's exports. And dollars from sugar sales buy food imports needed to supplement domestic production.

Of the food the Cubans consumed in 1956, more than a third in terms of calories came from abroad — mostly from the United States. These imports included rice, lard, wheat flour, pulses, processed milk, canned goods, and other items. Moreover, strong world demand and good prices for sugar last year enabled the Cubans to buy more food abroad and to raise their food consumption level. The outlook for 1958, while not as bright as for the first six months of 1957, is not unfavorable.

What the Cubans Eat

Cubans are eating about 10 percent more food per person than before World War II. They averaged over 2,900 calories daily in 1955 and 1956, which compares favorably with other Western Hemisphere countries. They continue to eat large quantities of fats and starches, however, while minimizing protein consumption.

Wheat flour is one of Cuba's basic foods, constituting about 8 percent of the caloric intake in 1956. But in many ways rice is the most important food in the Cuban diet. Cubans eat more rice than wheat flour and corn meal combined. In 1956, rice made up about 16 percent of the caloric intake, or a total consumption of about 630 million pounds. Rice consumption usually increases in line with economic prosperity on the island.

Corn—in the form of corn bread—constituted some 4 percent of the caloric intake in 1956. Generally about 40 percent of an estimated annual disappearance of 7 million bushels is used for food, largely by rural low-income groups. But consumption drops sharply during periods of prosperity when these groups can afford to buy rice and wheat flour.

Beans and other pulses, too, are important in the daily diet. The Cuban people eat about 30 pounds per person of beans, lentils, and chickpeas annually. Potatoes, yucca, and plantains are

also popular starch foods.

Consumption of edible fats and oils in 1956 approached 225 million pounds indicating an annual average of about 37 pounds per person. Lard continues to be the cheapest and most popular cooking fat and olive oil the preferred cooking and salad oil.

Cubans like beef and eat a total of about 390 million pounds a year, averaging about 63 pounds per person. They eat most of it fresh, but a small amount is jerked beef. They also eat some fresh and cured pork. But chicken is fast becoming a favorite meat often served with rice (arroz con pollo). Demand for properly fed broilers is increasing, although a substantial number of criollo (native) turkeys, chickens, and guinea hens is marketed. Eggs also are a popular food.

Dairy products comprise about 7 percent of the total calories consumed. Most milk is used fresh or as homemade butter or cheese.

Substantial quantities of fresh fruits —pineapples, avocados, citrus, and some temperate climate fruits—and numerous vegetables—including squash, onions, tomatoes, garlic, and cabbage—round out the Cuban diet.

Where the Food Comes From

Today the Government of Cuba is attempting, with some success, to diversify its industry and its agriculture as part of a program to establish a more balanced economy. In 1957 farm production was estimated at 97 percent above prewar compared with a population increase of only 50 percent. But despite expanded local production, agricultural imports have also increased significantly since prewar because the increased number of people are eating more and better foods. Cuba's total imports of farm products for 1956 were valued at about $140 million, of which the United States supplied 87 percent. Maintenance of this position as Cuba's major supplier of farm products depends mainly upon Cuba's share of the U. S. sugar market.

About 20 percent of the quantity of food eaten by the Cubans (on the basis of calories it is higher) is imported. Four commodities—rice, lard, pulses, and wheat flour—generally account for at least half of the total value of agricultural imports. All of the wheat comes from abroad, as well as most of the fats and oils, two-thirds of the pulses, and about half the rice. Also significant quantities of temperate zone fruits and vegetables, canned goods, and processed milk are imported.

Rice is by far the most important farm product Cuba buys from abroad. During 1955 and 1956 the United States was the sole supplier, in contrast to the 1935-39 period when the U. S. share of the market was only 25 percent. Although there has been a considerable decline in rice shipments from the United States since 1953, this has been largely attributed to expansion in Cuban output rather than to competition from other sources. Domestic rice production has advanced from an average of 152 million pounds for the period 1945-49 to about 615 million in 1956. But improved economic conditions boosted Cuba's rice consumption to an alltime high of 122 pounds per person in 1956-57. Imports rose too and were considerably above those of 1955 and 1956.

Cuba imports large quantities of fats and oils. Peanut production—the sole domestic source of vegetable oil—is inadequate and foreign purchases fill additional vegetable oil needs. Spain supplies most of the olive oil, and the United States fills all requirements for edible and inedible soybean and cottonseed oils and edible coconut oil.

Lard is the major edible fat used in Cuba. Production is expanding, but is still insignificant in relation to total

(Continued on page 19)

Liquid lard is packed in 100-pound tins. Most of Cuba's lard is imported from the United States.

Photo by Wallace Dudney

Cuba's supermarkets abound in homegrown fruits, but apples, pears, and grapes are imported from the U.S.

Expansion Ahead For African Cotton

By HORACE G. PORTER
Cotton Division
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Cotton is one of Africa's most widely grown commercial crops. The area devoted to it totals about 8.5 million acres, and average production over the past 5 years has been about 3.3 million bales, or 8 percent of world production. This figure may not seem particularly large compared with average U.S. production of some 14 million bales, which accounts for more than a third of the world total. Yet compared with the 1945-49 average, Africa's production has risen twice as fast as that of the United States.

What does this mean for the future of African cotton—and of U.S. cotton sales on world markets?

Looking for answers to such questions, I represented FAS last fall in a two-pronged study of Africa's cotton potential. While my colleagues, Drs. Thomas R. Richmond and Meta S. Brown,[1] were visiting cotton-producing areas and research stations in French West Africa, Nigeria, French Equatorial Africa, and the Belgian Congo, I visited Egypt, the Sudan, Tanganyika, Mozambique, and Kenya. We met in Uganda for the return journey. Together we covered countries and territories that account for over 95 percent of Africa's cotton output.

As I traveled down the eastern side of this immense continent, I saw Africa's cotton at every stage of development. People that I talked to in some areas asked why I had not come earlier or later, when there was more to see in the fields and markets. However, no single time of year is ideal for seeing cotton in all producing areas. Even so, seeing cotton and cotton-producing areas under such a wide range of conditions permitted us to learn a great deal about cotton in Africa. The examples that follow are limited to areas I visited myself; but my colleagues said that much of their experience closely paralleled mine.

Egypt and the Sudan

Egypt, one of the world's great cotton producers, has had a generally stable output for the past 5 years or so. There seems little outlook for any sizable upward trend in the near future. With irrigation water and suitable land both extremely limited, any significant increase in cotton acreage would involve a reduced food-crop acreage, and in view of the growing population pressure, this is unlikely.

I noted widespread concern in Egypt over the problem of maintaining high quality in the varieties that are the mainstay of the Egyptian cotton industry. Egyptians are proud of the recent improvement in their Menoufi. They are confident that in 3 to 5 years they can achieve corresponding gains in the replacement stocks of seed for some of the other well-known varieties.

The Sudan's entire economy, like that of Egypt, is oriented around cotton. Undaunted by difficulties in marketing the 1957 crop, Sudanese leaders believe that further development of their young nation will also be closely tied to cotton. They have millions of acres of potential cotton land waiting for irrigation water. Some 800,000 acres are slated for addition to the Gezira scheme as the Managil Extension comes into operation at intervals starting in 1959. The Sudanese hope for a larger allocation of irrigation water under a revised Nile Waters Agreement. They also hope to build a new storage dam at Roseires. If these hopes come true, still more acreage can and will be brought under cotton. Such an expansion in world production of Egyptian-type cotton would undoubtedly have a decided impact on the world's extra-long-staple cotton situation.

Other African Areas

In the other areas we visited, cotton and its problems have many marked similarities. All these areas, unlike Egypt and the Sudan, are colonies, trust territories, or protectorates of European nations — Great Britain, France, Belgium, and Portugal. Practically all government administrators and all professional research workers are Europeans. But practically all cotton, except experimental plantings, is grown under native "peasant" or "bush" culture, as contrasted with plantation culture.

Nearly all the government officials and cotton experts I talked with were eager to expand cotton production. Some of their eagerness seemed to stem from a knowledge that the home country in Europe attached great value to cotton production in the Africa area. More, however, appeared to be due to the conviction that expanding the output of this fairly reliable cash crop would materially strengthen the local African economy. Exceptions to this were places like Uganda, where Robusta coffee is proving more attractive.

[1] Dr. Richmond, of USDA's Agricultural Research Service, is head of the Federal-State cotton improvement work in Texas; Dr. Brown is cytogeneticist at the Texas Agricultural Experiment Station. Their trip, made at the invitation of the French, Belgian, and British Governments and cotton research groups, was facilitated by a travel grant from the State Department's International Exchange Service and—for Dr. Richmond—joint sponsorship by FAS and ARS.

Photos by Horace G. Porter

Photos by Gordon Schlubotis

Owens Falls Dam in Uganda supplies power for British East Afrca's only textile mill, in background. Below, water lift used for irrigation in Sudan.

Tanganyika. — This U.N. Trust Territory has strikingly increased its cotton production since World War II. Yields have shown a solid improvement over the prewar level. This is due partly to the development of better varieties, partly to better cultural practices, and partly to the bringing of new lands under cotton production.

Research workers in Tanganyika, as well as elsewhere in British East Africa and Mozambique where I traveled, have worked out improved production practices that are within the means of the African grower. By using these, farmers in the various areas could materially increase cotton yields and farm income. Even so, native growers are slow to adopt new ways. The average grower, being something of a fatalist, takes Nature "as given," and shys away from modifying it by such measures as using commercial fertilizer or insecticides. He is fundamentally suspicious of any effort to change traditional farm practices.

This suspicion makes it difficult to get the recommended practices adopted by the native farmers. Social pressure from other members of the village is at times mobilized against individuals who depart from the traditional way. Thus extension workers now aim for the cooperation of the tribal chief and of his representative in charge of supervising and distributing the land (I heard the latter referred to as the "Great Commoner"). Besides these two key people, they seek the aid of groups of 5 or 10 farmers, who can withstand the village pressure more easily than an individual can.

One of the most effective means an African government has to improve cotton production is its control of the seed supply, for it can see that the farmer gets improved seed, treated to resist disease. It can also set regulations on rows, forbid intercropping, and require the farmer to uproot the cotton plant after harvesting. But it has no way, except the long way of persuasion and education, to change the African grower's attitude toward

Public Relations Dept., Tanganyiko

Modern cotton gin in Kasese, Uganda. Below, sacking cotton in Tanganyika.

farming in general and cotton farming in particular.

Mozambique.—In its record year, 1952-53, Mozambique produced 185,000 bales of cotton. And in the season just ended, 1956-57, production totaled 165,000 bales. Virtually all of the cotton moves to Portugal for use by mills in that country. All but a very small quantity of Mozambique cotton is grown by natives who sell their seed cotton to the concessionaire that has been allotted the particular area. There are a total of 12 such concessions. The largest of these buys cotton at 480 local markets in its territory and operates a number of cotton gins. Buying stations must be sufficiently well dispersed so that no grower will be called upon to take his seed cotton farther than 10 kilometers to market.

In general, cotton leaders in Mozambique expect future increases in production to come about largely from increased yields rather than expanded acreage. To achieve the desired yield increases, emphasis is placed on concentrating production on lands that are well suited to cotton and getting native cultivators to follow recommended cultural practices.

Visiting the Limpopo Valley irrigation project (where production of Egyptian type cotton is just getting beyond the experimental stage), I was interested in seeing the large acreage of fertile land that they plan to bring under cultivation. The type of intensive farming that will characterize this, like other projects I saw, contrasts sharply with the type of "hack-and-burn" agriculture followed on many native farms.

Kenya.—Kenya is one of the smaller cotton-producing areas I visited. There is not much likelihood of marked acreage expansion, considering the time and effort the native grower is now devoting to food crops. But there is room for improvement of yields. One official felt that effective insect control alone could triple the average yield. As a matter of practice, however, little if any insecticide is now being used.

All cotton is native-grown, and the small share of land that the average farmer devotes to it would indicate that this crop is not particularly popular with him. One reason mentioned for this attitude is that cotton needs a good deal of labor, well timed, if it is to bring good enough yields to help it hold its own against other crops as a source of income. The farmer has to (1) plant it early, (2) keep the fields clean, (3) control pests, (4) pick, clean, and sort the crop, and (5) uproot the stalks. Corn is much easier to grow. Sorghum, millet, and peanuts also offer keen competition to low-yielding cotton. Thus, cotton yields must be raised to the point where cotton brings at least as much profit as other crops, if cotton is ever to become strongly entrenched in Kenya.

COTTON PRODUCTION IN AFRICA, CROP YEARS BEGINNING AUG. 1

	Average 1945-49	1950-54	1957 [1]
	1,000 bales [2]	1,000 bales [2]	1,000 bales [2]
Algeria [3]	2	8	7
Angala	24	25	30
Belgian Canga	195	222	220
Egypt	1,456	1,705	1,861
French Equatorial Africa	104	135	160
French West Africa	14	30	60
Kenya	6	11	11
Maracca	[4]	5	10
Mozambique	104	148	140
Nigeria	48	114	180
Rhodesia-Nyasaland	10	13	6
Sudan	246	383	220
Tanganyika	38	55	140
Uganda	227	291	292
Unian af South Africa	3	23	33
Others [5]	5	12	14
Tatal	2,482	3,180	3,384

[1] Preliminary and partly estimated. [2] Bales of 478 pounds before 1946; 480 pounds thereafter. [3] Includes Maracca. [4] Included with Algeria. [5] Includes Ethiopia, Eritrea, and Italian Samaliland.

Uganda. — Uganda has for years been one of the most important cotton-producing areas of Africa, growing a fairly long-staple upland type of a quality which has always been in active export demand. The "rich southern crescent" which extends from Lake Victoria to a point about 50 miles north of Kampala has lost about a fourth of its cotton land in recent years. In this area, coffee—owing to the high price it has commanded in recent years—has won out over cotton as a favored cash crop. Then too, as a tree crop, it makes less extensive demands on the effort of the farmer.

At the same time that cotton acreage has dwindled in the south, it has expanded in the north; but growing conditions there are far less favorable, so that yields are only about half as high. Thus total cotton output has remained about the same.

It is in Uganda that the Empire Cotton Growing Corporation has its central research station, at Namulonge, although it has other stations elsewhere in Africa. This organization is responsible for British East Africa's basic cotton research.

One of the practices currently being encouraged in Uganda is early planting. An all-out effort had been made to get the cotton I saw growing planted earlier than usual. But this crop suffered from an unusually bad drought that kept the benefits of early planting from being clearly apparent. Whether this exceptional circumstance will affect the African grower's confidence in early planting remains to be seen.

Outlook

How do the things we saw add up so far as the future of cotton production in Africa is concerned? Only time will supply the final answers, but we three American observers feel that total Africa production of both upland and Egyptian-type cotton will continue to increase over the next 5 years. However, we expect a slower overall rate of gain than during the period since the end of World War II, when production in some areas skyrocketed.

The moderate tone of this forecast does not stem from any doubts about the adequacy of either land resources or research abilities in Africa, but rather from our uncertainty as to how rapidly native cultivators will adopt improved practices. If the use of recommended methods should ever become widespread, cotton could easily become a much more profitable crop for the cultivator who raises it, and total production would forge ahead.

Most of the increased production that we foresee as taking place during the next 5 years will go into increased exports. But some will go to supply the small but growing cotton mill industries in Africa. These local industries, however, are not expected to keep pace with greater textile demand, reflecting both expanding population and rising levels of living. Thus imports of cotton textiles will probably continue to grow in the years ahead.

Dollar Earnings In Western Europe

By DALE K. VINING
International Monetary Branch
Foreign Agricultural Service

THE COUNTRIES of continental Western Europe form the largest foreign market for U.S. agricultural products. In the fiscal year 1956-57, they imported $1.9 billion, or 40 percent, of our agricultural exports. And more and more of these farm products were being bought with earned dollars, in contrast to the years following World War II, when our exports to Western Europe were largely financed under U.S. Government aid programs.

With the comeback in Western Europe, production in both industry and agriculture is now considerably above prewar levels; in fact, production, employment, and trade all set new records last year. Living standards have also risen.

But in spite of expanded production and increased imports supply failed to meet increased demand. Price levels rose, and inflationary pressures were evident in Europe during 1957. To counter these pressures, most European countries took deflationary measures. Belgium, France, the Netherlands, Sweden, and Switzerland all raised their bank discount rates and put into effect credit and fiscal controls. France, Finland, and Spain devalued their currencies, or adjusted exchange rate. As a result, price rises were slowed down in some countries; however, in France, Spain, and Turkey, upward pressure on prices continued strong.

Trade and Payments

Since 1950 Europe's imports and exports have doubled. They now represent about one-third of the Free World's total trade as compared to slightly over one-fourth in 1950. Last year they continued to increase at a very remarkable rate. Exports amounted to over $31.7 billion, a gain of $3.2 billion over 1956, and imports reached $36.8 billion, an increase of $3.6 billion over the same year.

In trade with the United States, Western Europe's dollar transactions reached new highs in 1957. Dollar receipts from the sale of goods and services to the United States increased substantially. U.S. private investment dropped. U.S. troop expenditures and other military outlays continued at about the same level as in 1956, and so did U.S. Government grants and loans, though these were well below those of preceeding years.

However, Europe's dollar payments to the United States for goods and services expanded at a faster rate than its dollar receipts. As a result of this and because of their investments in the United States, Europe experienced a payments deficit with the United States last year—a contrast with previous years when Europe was a net receiver of dollars.

Gold and Dollar Assets

From 1950 to 1956 Western Europe annually averaged a gold and dollar increase of about $1 billion, and this was shared by most of the European countries. Last year these assets rose by about $738 million. Part of this increase resulted from three countries drawing $382 million from the International Monetary Fund (IMF).

Last year also saw substantial changes in the gold and dollar holdings of the various countries. Gains were:

	Mil. dol.
West Germany	770
Italy	254
Switzerland	156
Austria	83
	1,263

Losses were:

	Gross losses	IFM drawings	Published losses
	Mil. dol.	Mil. dol.	Mil. dol.
France	819	263	556
Netherlands	89	69	20
Belgium	99	50	49
Spain	45	—	45
	1,052	382	670

With the exception of France, the countries that experienced balance of payments difficulties in 1957 did not reimpose import restrictions. France tightened controls on imports from all areas to retard the drain on its exchange reserves. Belgium and the Netherlands, which have the most liberal trade policies in Europe, chose to stop the drain on their gold and dollar assets through internal fiscal and monetary measures. Spain has not liberalized trade from any area.

Country Highlights

West Germany had at the end of 1957 holdings amounting to $4.1 billion, the largest of any foreign country. This increase resulted from the country's very large trade surplus last year of over $1 billion. But Germany also experienced a large inflow of speculative short-term capital as a result of the expected revaluation of the Ger-

man Mark and a devaluation of the pound sterling. Most of this occurred in the third quarter of 1957 and came mainly from the United Kingdom and, to a lesser extent, the Netherlands. Then, in the last quarter of the year, when it became evident that these currency changes were not going to take place, this short-term capital started returning to the countries from which it came, and Germany's accumulation of gold and dollars dropped.

Italy increased its gold and dollar assets $245 million in 1957. This increase was due in part to expanding exports and part to increased earnings from invisible sources such as tourist spending, ocean shipping, and remittances from Italian immigrants in the United States. Also, receipts from U.S. troop and military expenditures were a little higher in 1957.

Switzerland's economic expansion continued in 1957, and, as a result, its trade deficit widened and its price level moved slightly upward. This caused Swiss officials to raise the bank discount rate, for the first time since 1936, from 1.5 to 2.5 percent. Normally a net exporter of capital, Switzerland increased its gold and dollar assets last year mainly through a capital inflow.

Austria's exports have more than tripled since 1950 and these have contributed greatly to its balance of payments surplus. Receipts from tourism —which netted Austria over $125 million in 1957—is also an important source of foreign exchange.

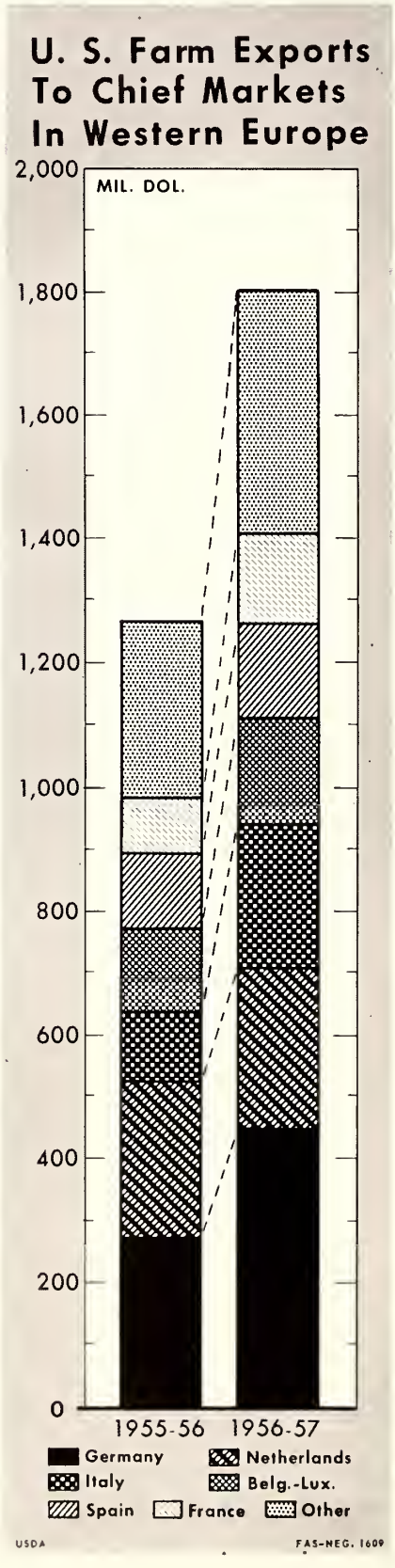
Norway increased its gold and dollar assets $43 million in 1957, mainly from freight earnings and to some extent from better market opportunities for some of its export products. Ocean freight rates more than doubled in the period following the Suez crisis but later dropped very fast.

Portugal's assets in relation to its imports are the second strongest in Europe. Present assets, in view of the 1957 increase, would cover the country's import expenditures for 1 year and 4 months.

Sweden's gold and dollar assets declined in the last quarter of 1957 but this loss was offset by gains made during the first part of the year. Sweden raised its discount rate in mid-1957 because of undue pressures.

The Netherlands, Belgium, and Denmark experienced balance of payments difficulties in the first half of 1957, and their assets declined.

To bolster reserves, Belgium drew $50 million from the IMF and raised its bank discount rate from 3.5 to 4.5 percent. This and other remedial actions enabled it to partially recoup its losses in the last part of 1957.



The Netherlands' losses were partly caused by an outflow of speculative capital and partly by increased export expenditures. It also drew from the IMF—$69 million—and raised its bank discount rate. In the latter part of 1957, gold and dollars moving back into the country partially offset earlier losses.

Denmark's declining reserves resulted chiefly from increased imports. By taking corrective measures, especially controls on internal demand, and by drawing $34 million from the IMF, this decline was stopped, and in the end of the year the earlier losses were more than made up.

France's gold and dollar assets continued to decline in 1957, though this decline tapered off in the last quarter. Many factors caused this deterioration —the Algerian crisis, inflationary pressures, over-valued currency, and a very large industrial investment program. To halt this downward trend, France drew $262.5 million from the IMF and later in the year devalued the franc, applied credit squeezes, reduced the budget defict, and tightened import controls.

This year, to tide the country over exchange difficulties, the French Government obtained $665 million in various credits. The European Payments Union granted a $250-million credit, the United States, $274 million in various credits. Furthermore, the IMF will allow them to withdraw an additional $131.2 million.

Spain's assets declined $45 million in 1957 compared to a drop of $61 million in 1956, with the result that at the end of the year gold and dollar holdings were down one-half from what they were at the end of 1955. This decline reflects in large part the persistent inflationary pressures in the country. To cope with the widening trade deficit, Spain, in April 1957, devalued its currencies and introduced a single exchange rate.

Greece's gold and dollar assets amounted to $167 million on December 31, 1957, a decline of $20 million. Most of this loss occurred in the latter part of the year and resulted primarily from an upswing in imports.

Finland gained gold and dollar as-

HOW WESTERN EUROPE EARNS AND SPENDS DOLLARS WITH THE UNITED STATES

	1954	1955	1956	1957[1]
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*
Dollar payments:				
U.S. exports	2,242	2,671	3,619	5,060
Services	589	695	790	1,395
Investments in the U.S.	80	200	214	195
Total payments	2,911	3,566	4,623	6,650
Dollar receipts:				
U.S. imports	1,350	1,543	1,932	2,757
Services and related transactions	1,031	1,225	1,393	1,533
U.S. private capital	25	123	326	191
Military expenditures	1,196	1,368	1,295	1,365
U.S. grants and loans	966	724	429	447
Total receipts	4,568	4,983	5,375	6,293

[1] Preliminary.

Note: Excludes errors, omissions, transfers of 3d areas, and U.S. military aid grants.

Survey of Current Business.

sets during 1957, although in the first half of the year its total foreign exchange declined the equivalent of $40 million. This decline was caused by a rise in imports and a drop in exports. To bring about a better balance of trade, Finland devalued its currency from 230 Finnmarks to a U.S. dollar to 320, and after this, the trade balance bettered and foreign exchange holdings increased.

In ***Turkey*** inflationary pressures continued. Prices in some segments rose as much as 20 percent during 1957. Turkey's trade balance improved, however, and its foreign exchange holdings increased. At the same time, its external liabilities also increased.

GOLD AND DOLLAR ASSETS OF WESTERN EUROPE[1]

	Assets, Dec. 31, 1957	Changes since Dec. 31, 1950	Changes since Dec. 31, 1956
	Mil. dol.	*Mil. dol.*	*Mil. dol.*
Austria	454	+344	+83
Belgium-Luxembourg[2]	1,190	+330	—49
Denmark	149	+69	+47
Finland	105	+75	+12
France[2]	956	—95	—556
Germany, Western	4,113	+3,891	+770
Greece	167	+131	—20
Italy	1,524	+944	+254
Netherlands[2]	1,060	+493	—20
Norway	247	+110	+43
Portugal[2]	651	+394	+23
Spain[2]	118	—18	—45
Sweden	485	+279	+2
Switzerland	2,799	+718	+156
Turkey	162	—2	—2
Total	14,180	+7,663	+738

[1] Public and private.

[2] Includes dependencies.

Evaluation

Western Europe should continue as our best dollar customer for agricultural products. The gold and dollar assets of Germany, Italy, Switzerland, Austria, Portugal, Sweden, and Norway are now large enough to sustain them over temporary balance of payments difficulties. The recovery of the Netherlands, Belgium, and Denmark, after their earlier problems, has considerably strengthened their financial standing. France suffered gold and dollar losses but the rate at which they declined has tapered off. Finland's payments difficulties are easing too, but the outcome will depend on the export outlook for wood and wood products. Spain, Turkey, and Greece may continue to experience balance of payments obstacles.

Where the more industrialized European countries will benefit is from the lower prices of a number of industrial raw materials. Since a large part of their imports consists of raw materials, lower prices will reduce their import expenditures. And, of course, the lower freight rates will also contribute to lower import costs. But part of this advantage may be offset by reduced exports to the countries that produce these raw materials.

The lower-income countries of Europe, however, will probably continue to face payments problems. In these countries, gold and dollar assets are too low to sustain their import needs in periods of trade and payment strain; and consequently, they will continue to rely on special U.S. export programs, such as Public Law 480, to finance a large part of their food and fiber needs.

Cuban Sugar

(Continued from page 13)

consumption needs, so Cuba must depend on imports for most of its supplies. The United States provides virtually all the lard imports. Consumption of lard is increasinging steadily, and the United States is now selling more than four times as much to Cuba as in 1935-39.

Well over half of Cuba's pulses are imported. In recent years, foreign purchases have risen because of increasing consumption and lagging production. The United States supplies nearly all the pulses — except chickpeas — and Chile furnishes the remainder.

Cuba does not produce wheat, and all of its wheat flour came from abroad until a flour mill was established in 1952 to manufacture flour from imported wheat. The United States supplies all of the wheat market and 90 percent of the wheat flour market.

Although Cuba produces large quantities of dairy products, imports have increased from an insignificant level during prewar to about $6 million to $8 million worth in recent years. The United States provides about half of the imports—mostly in the form of evaporated milk, butter, and dry milk. Other countries ship most of the cheese and condensed milk.

Cuba is largely self-sufficient in beef production, but depends upon imports for quality pork products. Local pork is largely from scrub stock and is generally eaten as roast pig. The United States furnishes the bulk of Cuba's pork imports—mostly bacon, loins, and hams—which fill about a third of the country's requirements. The United States has the Cuban market for eggs and broiler chicks, but purchases are declining because local production is increasing rapidly. In 1956-57, the United States supplied 40 percent of Cuba's domestic requirements. Also, about 45 percent of the broilers raised in Cuba are produced from U. S. hatching eggs.

Corn continues to be the only grain other than rice produced commercially in Cuba. Supplies are generally adequate for food and feedstuff. An acute supply situation after a slight drop in 1957 output and an expanded use for feedstuff have led to some importing.

Potato output has exceeded needs for the last several seasons, but imports are used to supply the market during the off-season (August-October). Many varieties of sweet potatoes, yams, and similar root crops, and several varieties of yucca (cassava) are grown widely throughout the country. When the income of the rural population declines and many of the people are unable to afford rice, they eat more of the root crops. Imports supply over three-fourth of Cuba's onions and garlic. The United States furnishes most of the onions, and Chile is displacing Italy as the major source of garlic.

The Islanders use considerable fruit. Home grown avocados, plantains, and bananas enhance the domestic market. Oranges are available all months of the year, and pineapples and grapefruit also are abundant. Apples, pears, and grapes are imported from the United States.

Picture for 1958

The 1957-58 sugar crop should make it possible for the Cubans to enjoy a level of food consumption about equal to that of 1956-57. Production and imports of most major commodities should be maintained or increased slightly to meet strong consumer demand.

However, world demand for and price of sugar have fallen off considerably since July 1957, and a world record sugar crop is estimated for 1957-58. Both of these factors will affect Cuba's sugar income. Yet Cuba can depend on a stable income for that part of its sugar that goes to the United States—more than 3 million tons in 1957. Cuba will have an authorized sugar crop of about 6.4 million short tons this year plus a possible output of 75 to 100 million gallons of hi-test molasses from surplus sugarcane. It is believed the overall income from sugar and its byproducts will be sufficient to allow Cuban consumer food purchases at a level which compares favorably with recent years. This conclusion, however, is based on a fair degree of stability in the domestic political situation. Increased or continued violent political disturbances could interfere with the marketing of the sugar crop to such an extent that consumer purchasing power would be greatly cut.

New Philippine Milk Offers Market—Also Competition—to U. S. Industry

A new dairy product, evaporated filled milk, holds promise of expanding sales of U.S. dry milk solids in the Philippines. Yet this new milk product will undoubtedly slash sales of U.S. evaporated milk to the Republic—sales that normally amount to over 3.5 million cases a year.

The new product, now produced in two plants, uses U.S. dry milk solids but substitutes coconut oil for butterfat. Both Vitamin A and Vitamin D are added.

From the Philippine point of view, evaporated filled milk has much to recommend it. Coconut oil is one of the country's primary agricultural products. The milk plants provide jobs for Filipinos. And since the dry milk solids currently are being procured from the United States under Public Law 480, there is a substantial saving in foreign exchange over the $18 million annually used for imports of evaporated milk.

Price has undoubtedly been a major factor in stimulating sales of the new product. It retails for 20 to 25 percent less than imported evaporated milk, so that when diluted with water a glass of the milk costs around 4 cents—a low price even by U. S. standards. By comparison, fresh milk is practically nonexistent in the Philippines, retailing at about 60 cents a quart in Manila. Even recombined milk, produced in only two Manila plants, costs around 35-50 cents a quart and requires refrigeration, which few Filipinos have. And while imports of evaporated milk, mostly from the United States, have increased materially in the last 5 years, it is still regarded largely as an infant food and is outside the price range of the average consumer.

This new development raises a question as to what will happen to Philippine imports of evaporated milk. For several years the Republic has been the largest overseas market for U.S. dairy products and most of this business has been in evaporated milk. But these recent developments seem to indicate that within 2 to 3 years the evaporated filled milk product may take over practically the entire market for imported evaporated milk.

The new milk could very readily bring about a marked change in the eating habits of the Philippine people. U.S. dry milk solids obtained through Public Law 480 have played a leading part in the development of the new product, and it is assumed they will continue to come from the United States. The potential Philippine market has been estimated at 45 million pounds a year.

Philippine housewife buys the new evaporated filled milk in Manila supermarket. Below, the canning operation.

Japanese small fry opens his mouth wide for a taste of noodles made with U.S. wheat flour. Right, model displays gown created in Japan from U.S. cotton.

The "Big Five" At the Osaka Fair

Exhibits of five important U.S. farm exports—wheat, cotton, soybeans, tallow, and tobacco—drew huge crowds at the Japan International Trade Fair, held in Osaka in April.

Behind these exhibits lay a venture in cooperation and good will. Each one was sponsored by a market development team made up of representatives of the U.S. Foreign Agricultural Service, U.S. industry, and Japanese trade groups and organizations. Their task was twofold: To introduce Japanese consumers to products made from our farm commodities and to help Japanese businessmen and officials solve problems of trade between Japan and the United States. The pictures on this page testify to their success.

U.S. agricultural market development team for tobacco gets light from pretty Japanese attendant at the tobacco exhibit.

Guessing contest was popular feature of soybean display. Right, soap from U.S. tallow is described in pamphlet being interpreted for U.S. team member.

Dollar Markets

(Continued from page 11)

the cheese exports may be considered produced from U. S. feeds. For pork, the share derived from U. S. feeds is much greater than total exports. If similar calculations were to be made for 1957, when Dutch imports of feed grains declined, the percentage given would be lower but the situation would remain essentially the same. In 1956, the United States bought from the Netherlands about 10 percent of the pork products, 3 percent of the cheese, but none of the eggs, estimated produced from U. S. feeds.

The Dutch feed-livestock complex illustrates the importance of large segments of the country's agriculture and trade as intermediaries between U. S. producers and the ultimate consumers in many countries. It is also an example of a kind of initiative, which, in a well-located, densely populated country with advanced trade and processing industries, does much to further world trade to the benefit of the country and its trading partners.

SHARE OF U. S. FEEDS IN DUTCH OUTPUT

	Eggs	Pork	Cheese
	Mil.	*Mil. lbs.*	*Mil. lbs.*
Production, total	4,100	755	363
Estimated production from U. S. feeds [1]	1,464	380	150
Percent from U. S. feeds	36	50	41
Exports, total	2,390	250	200
Exports, to U. S.	(2)	[3] 36	4
Percent, exports to U. S.	(2)	14	2

[1] Year ending Sept. 1, 1956.
[2] Negligible.
[3] Largely canned hams and shoulders.

U. S. EXPORTS TO THE NETHERLANDS

	1955	1956	1956-57
	Mil. dol.	*Mil. dol.*	*Mil. dol.*
Grains and preparations	102.7	110.5	84.8
Cotton and linters	10.2	20.1	40.0
Fats, oils, oilseeds	74.5	72.6	71.6
Tobacco	13.4	15.1	14.1
Fruits, nuts, vegetables	12.3	26.0	20.6
Other	29.6	28.4	28.1
Total agricultural	242.7	272.7	259.2
Other	229.4	287.1	338.4
Grand total	472.1	559.8	597.6

U. S. IMPORTS FROM THE NETHERLANDS

	1955	1956	1956-57
	Mil. dol.	*Mil. dol.*	*Mil. dol.*
Meat products	25.2	25.2	25.8
Nursery stock	10.8	11.3	10.8
Cocoa and chocolate	10.1	8.4	7.3
Beer, wine, tea	3.9	2.4	2.5
Fats, oils, oilseeds	3.6	1.4	1.8
Dairy products	1.9	1.8	1.8
Other	11.6	11.6	11.9
Total agricultural	67.1	62.1	61.9
Other	80.9	102.3	92.0
Grand total	148.0	164.4	153.9

Asian Diets

(Continued from page 4)

three-fourths of the people eat no meat at all because of religious practices, is 60 calories, or 3.1 percent of total diet.

By far the lowest in consumption of milk and dairy products is Communist China. So little is available that consumption when spread over the entire population is not sufficient to register even one calorie per person per day. Pakistan, with milk and dairy products supplying a per capita consumption of 172 calories, and India, with 152 calories, are at the high end of the scale. But even this is meager when compared with New Zealand's consumption of 850 calories. Yet India alone has virtually one-fourth of all the cattle in the world.

Income, of course, is the key to this nutritional deficiency. In food-consumption studies, where one group of persons is compared with another, it has been found that in a free market there is direct correlation between income and what the nutritionists call a proper diet. At low-income levels people eat the cheapest source of calories; namely, cereals, starchy foods, and tubers. As their incomes rise, they eat less of these cheap foodstuffs and more animal products, vegetables and fruits.

Income and Education

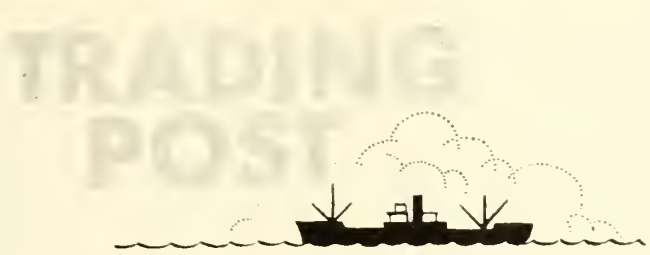
It would seem therefore that the primary hope for improving the diets of the Asian peoples lies in increasing per capita income. Some countries are well along the way in this respect. Japan, as was noted, is a highly industrialized nation, with a high per capita income, and one of the best diets. Recent industrial development in India has been accompanied by an increase in the consumption of food. Communist China, on the other hand, has shown considerable industrial growth, but apparently this has not been translated into a better standard of living for the mass of the people.

Certainly education should be considered as the second factor in improving diets. This has two aspects: one, teaching people the principles of better nutrition so that they will swing to more varied and more complete diets within the limitations of their income; and two, educating the farmers at the grassroots level, which would influence the kinds and amounts of food produced.

But always there is the problem of Asia's rapidly expanding population. Agricultural production, all over the Asian area, is not keeping pace with the increase in population. To fill the gap, countries like Japan and Malaya buy part of what they need on the commercial market. In other countries, such as India, Pakistan, South Korea, Taiwan, Indonesia, and South Vietnam, the national economy cannot bear this burden. Much of the food which has to be shipped in can be procured only as aid or on concessional terms from the surplus-food-producing countries of the world.

Furthermore, the outlook is not too optimistic. Agricultural production cannot suddenly leap to the level necessary to supply the food needs of the area. Nor can the general economy of these countries rapidly expand to the point where food can be purchased in the quantities needed to upgrade the diets of millions of Asian people. Progress on either or both these fronts will have to be gradual; therefore, any immediate improvement of the average diet in Southeast Asia and the Far East is unlikely.

"Man and Hunger," a small booklet published in 1957 by the Food and Agricultural Organization of the United Nations, elaborates on this subject of world food deficiencies. It may be obtained from the Columbia University Press, International Documents Service, 2960 Broadway, New York 27, N. Y. Price 25 cents.



Denmark Liberalizes Feed Grain Imports

Denmark has added corn, oats, barley, and tapioca and manioc feeding meals to the list of commodities which can be imported freely from the dollar area. Previously feed grains could be bought freely only from European Payments Union countries. Purchases from the dollar area required licenses, although licenses for corn were issued without restraint.

An increasingly favorable trade balance and an expanding livestock industry made the liberalization possible.

U.S. feed grain exports to Denmark last year were about 21,500 long tons.

Colombia Barters Coffee For Syrian Wheat

The National Coffee Federation, according to a recent report, has signed a barter agreement with the Syrian Government to ship an unspecified amount of Colombian coffee in exchange for 9,400 metric tons of Syrian wheat. The wheat, valued at $1.1 million, would represent about 13,500 bags of coffee at current prices. This would equal about 16 percent of Colombia's average shipments in 1 week.

Venezuela Tightens Dry Milk Restrictions

Venezuela has tightened restrictions on dry whole milk imports from the United States. Under the new rule importers are required to buy 1 unit of locally produced dry whole milk for each 5 units imported. Formerly the ratio was 1 to 6. The new regulation applies to milk admitted duty free and does not affect duty-paid imports.

The United States is Venezuela's main source of dry whole milk, but Denmark and the Netherlands are gaining in importance. In 1957, Denmark shipped 8.3 million pounds, compared with 900,000 pounds in 1955. During the same period the Netherland's shipments rose from 7.9 million pounds to 10.6 million. U. S. sales to Venezuela dropped between 1955 and 1957, from 36.0 million pounds to 33.3 million. Canada, another big supplier, also showed a decrease, from 13.9 million pounds to 13.2 million.

Finland Ships Dry Milk To Communist Countries

Finland has established a small dry whole milk export trade with the Soviet Union, Rumania, and Poland. Russia has contracted for 2.2 million pounds valued at $500,000 this year.

Dried milk production is comparatively new to Finland. The first drying factory was built in 1953 and the second, in 1956. The two plants have a combined hourly milk intake of 19,000 pounds and produce dry whole milk primarily for human consumption. A third factory is scheduled to begin operating this summer. The new plant will have an added feature. It will process skim milk and whey—formerly wasted—as animal feed.

Ivory Coast Striving To Boost Main Export Crops

The Ivory Coast—of French West Africa—is making an effort to improve and increase two of its major export crops—coffee and cacao. To further production the government is subsidizing a third of the cost of fertilizers. Producers may apply for reimbursement up to an annual maximum of 446 pounds per acre for cacao and 669 pounds for coffee plantations.

The Ivory Coast is the world's third largest coffee producer and is in fourth place in cacao output. Most of production is exported. France takes about half the coffee exports and Algeria and the United States each take about 20 percent. France and the United States each buy about a third of the Ivory Coast's cacao.

Denmark Increasing Quality Poultry and Egg Shipments

Denmark expects to supply more eggs and poultry to the European market this year. A higher hatching rate in early 1958 should result in larger supplies in the latter part of the year.

In 1957, Denmark produced 195 million dozen eggs and exported 142 million dozen. About 64 percent went to West Germany. Denmark has improved the quality and increased the value of its eggs through production and packing regulations and stamping eggs to identify handlers.

Last year's output of commercially dressed poultry totaled 41.9 million pounds. About 30 million pounds were shipped out of the country. West Germany took 14.7 million pounds, an increase of 65 percent over 1956. An increasing, but still small part of Danish poultry is sent ready-to-cook.

Iraq's Grain Surplus Large Despite Export Promotion

Iraq, with record grain supplies, is taking measures aimed at reducing the surplus. These include lifting the ban on wheat exports, prohibiting wheat imports, and subsidizing barley exports. The 1957 harvest of both wheat and barley were at record levels.

Wheat production, reported at 41 million bushels, was 12 million above 1956 and 19 million greater than the 1950-54 average. A surplus of about 15 million bushels is expected from the 1957 crop. Only small amounts have been sold abroad since the ban on exports was lifted.

The 1957 barley crop of 60 million bushels was 13 million above 1956 output and 25 million over the 1950-54 average. Barley is traditionally a surplus crop in Iraq, but the present surplus, which may be 20 million bushels, is much larger than usual. A temporary export subsidy program, which began in August 1957, moved about 9 million bushels, but stocks are still high. Also, both barley and wheat production are expected to hit high levels again during the current year.

CALORIES CONSUMED PER CAPITA PER DAY: PERCENTAGE DISTRIBUTION BY FOOD GROUPS FOR 12 FAR EAST COUNTRIES AND THE UNITED STATES

Food	Burma	Ceylon	Mainland China	India	Indonesia	Japan	Malaya	Pakistan	Philippines	South Korea	Taiwan	Thailand	United States
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Rice	72.3	43.3	40.5	33.6	45.6	46.5	44.5	43.1	41.3	54.4	53.0	72.6	0.7
Wheat	.7	10.9	13.8	9.6	.6	14.0	7.4	18.4	3.5	6.8	9.8	.3	18.8
All grains	75.2	57.2	74.6	63.6	58.1	69.9	53.0	68.2	60.7	78.7	62.9	73.2	23.0
Dry beans and peas	2.5	3.9	5.3	11.4	1.2	1.6	2.0	4.2	1.3	1.3	.9	.3	1.2
Roots, tubers, and starches	.5	3.3	3.8	3.0	18.2	6.9	2.5	.8	6.4	3.8	13.0	.2	3.0
Sugar	4.7	7.6	.8	6.3	4.0	6.4	9.5	8.3	6.2	1.7	6.7	2.7	15.6
Oilseeds (incl. soybeans and peanuts)	2.0	.2	4.4	1.0	1.8	4.3	1.8	—	.5	3.6	4.6	1.1	1.0
Oils and fats (excl. oilseeds and butter)	5.8	3.8	4.8	3.5	4.3	3.4	9.8	2.0	4.1	1.0	3.5	3.9	13.7
Vegetables	1.3	1.0	.9	.8	3.2	2.3	1.7	1.5	.7	2.4	1.8	1.5	2.6
Fruit and nuts (incl. coconuts)	2.3	17.8	.9	2.3	6.2	.9	8.9	3.8	13.8	1.0	.9	11.0	4.1
Meat, fish, poultry, and eggs	3.9	3.4	4.5	.6	2.5	3.4	7.3	2.5	5.1	5.8	5.0	4.7	19.2
Milk and dairy products (incl. butter)	1.8	1.8	—	7.5	.5	.9	3.5	8.7	1.2	.7	.7	1.4	16.6
Grand total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of calories	2,020	2,065	1,830	2,030	2,020	2,295	2,555	1,980	2,170	2,060	2,285	2,065	3,070

Derived from Food Balances, Consumption Year 1955-56, for Counties in South Asia, East Asia, and Oceania, FAS, October 1957. U.S. data are for the year 1954 and are derived from Food Balance Sheets second issue, Food and Agriculture Organization of the United Nations, 1955.